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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

25 July 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

No *USSR: Ambassador Thompson believes that Khrushchev spent an hour and a half conversing with him at a Polish reception on 22 July as a gesture to lower tensions and to counter a mild form of war hysteria indicated by the Soviet public's scare buying. [redacted]

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No *USSR - Austria: The Soviet-Austrian joint communiqué of 24 July announces a 50-percent reduction in Austrian oil reparations and promises increased trade, steps intended by Moscow to impress the uncommitted countries with the continuing Soviet interest in the welfare of smaller neutral nations. While Chancellor Raab agreed to membership in the bloc-dominated Danube Commission, a move long opposed by the West, the Soviet leaders apparently did not press for political concessions on larger East-West issues. [redacted]

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OK Soviet economy: The Soviet plan fulfillment report for the first six months of 1958 states that industrial output increased 10.5 percent over the first half of 1957, thus maintaining the rate of growth achieved during the past two years and reportedly scheduled for the forthcoming Seven-Year Plan (1959-65). The plan for this year, as for last, calls for an increase of only 7 percent, and Khrushchev's reorganization of industry is again praised for making the overfulfillment possible. [redacted]

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No Bloc propaganda on Middle East: The Sino-Soviet bloc's determination to extract the maximum political capital from

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the Anglo-American intervention is evident in the extremely heavy volume of propaganda on the present Middle East crisis. The volume is greater than for any international issue since the time of Stalin's death, and has been topped only by comment devoted to the 20th party congress. Moscow radio's commentaries last week were more than double the volume devoted to the Suez crisis of 1956. Peiping has devoted an even higher percentage of its output to the Middle East than has Moscow.

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II. ASIA-AFRICA

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ok Ethiopia: Emperor Haile Selassie is reported by the American ambassador to be in a virtual panic because of the threat of UAR penetration of Africa via the Sudan. The emperor proposes that the United States provide financial and military support for a "close association," under Ethiopian leadership, of Ethiopia, the Sudan and Somalia. (Page 8)

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nd Morocco: The extremist national Moroccan Labor Union is reported to have decided to stage a strike and possibly even to attempt sabotage at American-operated bases in Morocco,

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and to refuse to work ships carrying US materiel in all ports including Port Lyautey. Possibly in compliance with this order, port workers at Safi refused on 23 July to unload a Dutch freighter carrying supplies for the American base at Ben Guerir and the ship has proceeded to Port Lyautey.

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III. THE WEST

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ok Venezuela: There are increasing signs that anti-American feeling is being exploited. A key non-Communist political leader attempted in a speech on 23 July to capitalize on a widespread popular feeling that the United States is backing the military opposition to the Larrazabal regime.

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ok Cuba: There are numerous reports of imminent rebel action in eastern Cuba, possibly on or near the 26 July anniversary date of the Castro movement.

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I. THE COMMUNIST BLOC

Khrushchev Seeking to Lower Soviet-American Tensions

Ambassador Thompson believes that the hour-and-a-half conversation which he had at the Polish reception on 22 July with Khrushchev and Mikoyan was a deliberate attempt by Khrushchev to lower tensions resulting from the current international situation and such incidents as the stoning of the American Embassy. He believes that Khrushchev is concerned over the development of a mild form of war hysteria in the USSR, evident in the buying up by the public of reserve supplies, and may make further gestures to lower tensions.

Despite its length, the conversation was largely devoted to trivial subjects. Khrushchev, however, invited Thompson to accompany him on vacation in mid-August and emphasized the sincerity of his offer. He also complained to Thompson that the United States had not undertaken negotiations on a civil air agreement and suggested that these start immediately. Mikoyan, not entirely sober, praised Thompson's skill at a time when Soviet-American relations "probably had never been worse." The ambassador described the entire performance as an "eerie" one.

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Soviet Report on 1958 Midyear Economic Achievements

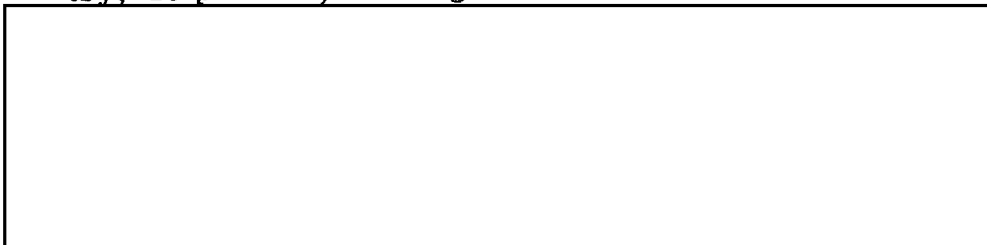
According to a TASS summary of the Soviet mid-1958 plan fulfillment report, industrial production increased 10.5 percent in comparison with production during the first six months of 1957. This compares with reported percentage rates of growth for 1956 and 1957 of 10.5 and 10.0 respectively. The goal set for this year, as for last, was just over 7 percent. Khrushchev's reorganization of industry is again given credit for making this achievement possible.

A reported 28-percent increase in capital investment in ferrous metallurgy indicates some success toward correcting capacity shortages in that industry. A reported increase of 23 percent in capital investment in light and food industries attests to Khrushchev's interest in improved consumption standards. The 27-percent increase reported in capital investment in the chemical industry is well below the rate planned, but is not necessarily indicative of what may be accomplished in the course of the full year.

Despite the reduction generally from 8 to 7 hours in the working day in ferrous metallurgy, labor productivity per working day in that industry increased by over 2 percent, the increase in labor productivity for industry as a whole being 6 percent.

Satisfactory achievement was reported in the sale of tractors and other machinery by the MTS to the collective farms, with 65 percent of the collective farms reported owning their own machinery by 1 July.

Reported increases for individual branches of production were: ferrous and nonferrous metallurgy, 9 percent; fuel and power engineering industry, 10 percent; machine building and metal processing, 14 percent; the chemical and rubber industry, 13 percent; building materials industry, 26 percent.



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Ethiopia Seeks US Support to Block UAR Penetration

Emperor Haile Selassie is seeking US military and financial support, through Ethiopia as an "intermediary," for a close association of Ethiopia, the Sudan, and Somalia to block UAR penetration of Africa via the Sudan and Red Sea. He wants specifically arms for Ethiopian territorial forces, financial aid to purchase Swedish Vampire jets, funds to improve rail and air communications with the Sudan, and prompt delivery of a 20-kw. short-wave transmitter promised at the time of the Richards mission.

Ambassador Bliss in Addis Ababa comments that the Ethiopians are in "genuine panic" over events in the Middle East, although overjoyed at the news of US intervention in Lebanon and the assurance of protection of small states. On 19 July the Emperor, fearing to attract UAR attention by the movement of Ethiopian officials, suggested that the American ambassador should proceed to Washington promptly to explain the Ethiopian situation to officials here.

Ethiopian officials, who are extremely concerned over the danger of a growth of UAR influence in the Sudan, have stated recently that Ethiopia would shed blood to defend the Sudan.

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The Venezuelan Situation

Tension continues between the civilian-backed governing junta and top military leaders and may lead to increased feeling against the United States. [REDACTED]

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[REDACTED] the general feeling among the local populace is that the United States is backing the military opposition to the junta. [REDACTED] a speech of 23 July by Jovito Villalba, chief of the leftist Republican Democratic Union, who observed that Venezuelans are not only against their local enemies but are also against foreign enemies who are attempting to make a colony of their country. The Communist leader Machado has called for the departure of foreign military missions, charging that they have been intervening in Venezuela.

The general strike of 23 July was completely effective in Caracas and apparently in the interior. Ambassador Sparks comments that it ended in a general atmosphere of celebration and lionizing of President Larrazabal. Press reports indicate that on 24 July thousands of students, laborers, and other civilian groups were demanding the exile of leaders of the recently threatened military coup. Such pressure could cause a new coup attempt by the military. [REDACTED]

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Cuban Rebels Reported Planning to Step Up Action

Reports that the Castro revolutionists may be planning another major move against the Batista government are increasing with the approach of the rebel movement's 26 July anniversary date. Skirmishing in Oriente Province has been resumed since the release of the last of the American captives on 18 July, and government troops are being deployed to zones of rebel concentration.

Rebel plans, [REDACTED]

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[REDACTED] envisage an attack in the Moa Bay area, near the site of a large US nickel enterprise, and the establishment of a provisional government. [REDACTED]

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[REDACTED] the rebels hoped to control all of Oriente Province by September and that their attacks would center on the Guantanamo area on the south coast. Although it is unlikely that the rebels could succeed in controlling the province or holding a city, they could disrupt the area enough to force postponement of the scheduled 3 November general elections or at least to prevent Oriente Province from participating in the elections.

Fidel Castro's apparent intention to adhere to the "Caracas Pact," a unity attempt now being formalized by representatives of several opposition groups, may indicate that he is making a serious bid for support among other anti-Batista elements. The rebels' position has improved considerably since their unsuccessful general strike attempt last April, but their chances of overthrowing the government remain small without support from the military, which is still believed largely loyal to Batista. [REDACTED]

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